

HOUSE BILL REPORT

SB 5367

As Reported by House Committee On:
Community Development & Housing
Capital Budget

Title: An act relating to authorizing the economic development finance authority to continue issuing bonds.

Brief Description: Authorizing the economic development finance authority to continue issuing bonds.

Sponsors: Senators Kastama, Chase, Holmquist Newbry, Shin and Kilmer.

Brief History:

Committee Activity:

Community Development & Housing: 3/16/11, 3/17/11 [DP];

Capital Budget: 3/28/11, 3/29/11 [DP].

Brief Summary of Bill

- Increases the Washington Economic Development Finance Authority's debt limit to \$1.5 billion.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

Majority Report: Do pass. Signed by 9 members: Representatives Kenney, Chair; Finn, Vice Chair; Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Maxwell, Ryu, Santos and Walsh.

Staff: Jennifer Thornton (786-7147).

Background:

The Washington Economic Development Finance Authority (WEDFA) was created by the Legislature to act as a financial conduit to businesses through the issuance of nonrecourse revenue bonds. The WEDFA has the authority to issue these bonds on both a taxable and tax-exempt basis, and has a debt limit of \$1 billion.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The WEDFA is a public body governed by a 17 member Board of Directors that helps small- and medium-sized businesses meet their capital needs. The primary types of projects that qualify for financing include, but are not limited to, manufacturing, processing, and waste disposal facilities. The WEDFA does not receive state funds, and does not lend the credit of the state or local governments.

Summary of Bill:

The WEDFA's debt limit is increased from \$1 billion to \$1.5 billion.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The WEDFA is a relatively small organization with two staff members that does not cost the taxpayers any money. The only source of money the WEDFA receives is revenue from fee income. Borrowers come to us because of the ability to do projects more economically due to leveraging tax-exempt status. Transactions are secured solely by company repayments. There is no recourse to obtain WEDFA or state funds. We assist small- and medium-size companies, particularly manufacturing, but also waste-disposal, waste water treatment, and nonprofits with a job creation or job training mission consistent with the WEDFAs. The WEDFA financing has created or supported over 8,000 jobs since it started operations as an independent agency in 1996, with over 800 jobs last year alone. The bonds over that period totaled a little more than \$1 billion. The WEDFA requested an increase to have the capacity in the event that the right combination of projects comes up.

(Opposed) None.

Persons Testifying: Senator Kastama, prime sponsor; and Rodney Wendt, Washington Economic Development Finance Authority.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 10 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Zeiger, Assistant Ranking Minority Member; Asay, Jinkins, Lytton, Moeller, Pearson, Smith and Tharinger.

Staff: Meg Van Schoorl (786-7105).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Community Development & Housing:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Holders of bonds issued by the Washington Economic Development Finance Authority (WEDFA) are repaid by the security and payments provided by the companies that receive the financing. These bonds do not represent indebtedness of the WEDFA or the state. Having a government agency be the bond issuer makes financing less expensive for businesses. The WEDFA focuses on small to medium-sized manufacturing, solid waste, and nonprofit projects with education or job training components. The WEDFA is subject to a \$1 billion debt limit and has \$776 million in bonds currently outstanding. We would like to increase the debt limit to give us flexibility to deal with large projects, if necessary, in the next couple of years.

(Commented) My remarks are about the general practice of bonding and funding capital projects by Washington state government since the default of the Washington Public Power Supply System. I am concerned about the reality of accountability, the removal of personal liability which is already in the statute, and the denial of fiscal risk.

(Opposed) None.

Persons Testifying: (In support) Rodney Wendt, Washington Economic Development Finance Authority.

(Commented) Douglas Tooley.

Persons Signed In To Testify But Not Testifying: None.